

APRIL/MAY 2024

**23UEIM22B — FINANCIAL  
ACCOUNTING – II**

Time : Three hours

Maximum : 75 marks



**SECTION A — (10 × 2 = 20 marks)**

Answer ALL questions.

1. Outline the term hirer.
2. Explain the term hire purchase.
3. Define branch accounts.
4. List out the rules of making record in branch Account.
5. Define department.
6. Extend the term departmental accounting.
7. Summarize the term partnership deed.
8. Explain the fixed capital method.
9. List out the uses of realization account.
10. Summarize the term piecemeal distribution.



SECTION B — (5 × 5 = 25 marks)

Answer ALL questions.

11. (a) Prepare journal entries for the Books of Hire Purchaser:
- (i) On transfer of Possession
  - (ii) On making Down Payment
  - (iii) On making Interest due on unpaid balance.



Or

- (b) On 1 January 2022, A purchased from B a plant valued at Rs. 7,45,000; payment to be made by four semiannual installments of Rs. 2,10,000 each: interest being charged at 5% per half year. A paid the first installment on 1<sup>st</sup> July 2022 but failed to pay the next. B repossessed the plant on 4 January 2023. On 5 January 2023, after negotiation, A was allowed to retain the plant of which the original cash price was Rs. 3,90,000 and he was to bear the loss on the remainder which was taken over by B on that date for Rs. 3,75,000. B waived the interest after 31st December 2022. Another agreement was signed for payment of the balance amount. Show by ledger accounts the necessary records in the books of A charging depreciation at 10% per annum half yearly on the written down value.



The following information is given:

- (a) Plant costing Rs. 40,000 was taken over by Cloud at an agreed valuation of Rs. 45,000 and the remaining machineries realised Rs. 50,000.
- (b) Furniture and fixture realised Rs. 40,000.
- (c) Motor car was taken over by storm for Rs. 30,000.
- (d) Sundry Debtors included a Bad Debt for Rs. 1,200 and the rest portion was realised subject to a cash discount of 10%.
- (e) Stock worth Rs. 5,000 was taken over by rain for Rs. 5,200 and the rest realised at 20% above their book value.
- (f) A creditor for Rs. 2,000 was untraceable and other creditors accepted payment allowing 15% discount. Realisation expenses amounted Rs. 5,000.

You are required to show the Realisation Accounts and the Capital Accounts of the partners on dissolution showing final payment to them

12. (a) Distinction between the wholesale profit and retail profit.

Or

- (b) Discuss briefly about the branch accounting methods.

13. (a) Difference between branch account and departmental account.

Or

- (b) The directors of Departmental Stores Limited wish to ascertain approximately, the net profit of "A", "B" and "C" departments separately for the quarter ended March 31, 2023. It is found impracticable actually to take stock on that date but an adequate system of departmental accounting is in use and the normal rates of gross profit, for the departments concerned, are 40%, 30% and 20% on turnover respectively, Indirect expenses are charged in proportion to departmental turnover. Following are the figures for each department.

Particulars	Departments		
	A Rs.	B. Rs.	C Rs.
Stock on 1.1.2023	30,000	35,000	15,000
Purchases to March 31, 2023	35,000	37,500	23,500



## Particulars

## Departments

	A Rs.	B. Rs.	C Rs.
Sales to March 31, 2023	60,000	50,000	30,000
Direct Expenses	10,100	7,250	3,550

Total indirect expenses for the period (including those related to other departments) were Rs. 21,000 on total sales of Rs. 4,20,000. Prepare a statement showing gross profit for stock at 10% in respect of each department.

14. (a) Prepare the Capital Accounts of the partners X and Y under

## Fluctuating Capital:

	X	Y
Capital A/c (on 1.4.2012)	50,000	30,000
Current A/c (on 1.4.2012)	5,000 (Cr.)	3,000 (Dr.)
Drawings	25,000	15,000
Partner's salaries	10,000	10,000
Partner's Commission	8,000	—
Interest on partner's loan	—	3,000
Interest on Capital	5,000	3,000
Interest on drawings	2,500	1,500
Share of profit	12,000	12,000

Or

## Points to be noted:

- (a) Profit before charging interest on Capital and Salary to B = Rs. 70,000 + Rs. 3,000 = Rs. 73,000
- (b) Transfer to Reserve = 10% of Divisible Profits.

20. Cloud, Storm and Rain were partners in a firm sharing profits and losses in the ration of 5 : 3 : 2. Due to difference in opinion, they decided to dissolve the partnership with effect from 1<sup>st</sup> April, 2013 on which date the firm's position was as under:

Liabilities	Amount Rs.	Assets	Amount Rs.
Capital Accounts:		Plant and machinery	80,000
Cloud	60,000	Furniture and Fixtures	45,000
Storm	40,000	Motor car	25,000
Rain	30,000	Stock in Trade	30,000
Current Accounts:		Sundry debtors	71,000
Cloud	8,000	Cash at Bank	14,000
Storm	10,000	Current Account:	
Sundry Creditors	1,20,000	Rain	3,000
	<u>2,68,000</u>		<u>2,68,000</u>



Some other relevant information is given below:

	Dept 1	Dept 2
Light points	18	9
Value of Assets (Rs.)	1,50,000	1,20,000
Floor Area (sq.ft)	300	200



19. A and B are partners in a firm sharing profits and losses equally. On 1<sup>st</sup> April, 2012 the balance of their Capital Accounts were A – Rs. 50,000 and B – Rs. 40,000. On that date the balances of their Current Accounts were : A – Rs. 10,000 (credit) and B – Rs. 3,000 (debit). Interest @ 5% p.a. is to be allowed on the balance of Capital Accounts as on 1.4.2012. B is to get annual salary of Rs. 3,000 which had not been withdrawn. Drawings of A and B during the year were Rs. 1,000 and Rs. 2,000 respectively. The profit for the year ended 31<sup>st</sup> March, 2013 before charging interest on capital but after charging B's salary was Rs. 70,000. It is decided to transfer 10% of divisible profit to a Reserve Account. Prepare Profit and Loss Appropriation Account for the year ended 31<sup>st</sup> March, 2013 and show Capital and Current Accounts of the Partners for the year.

- (b) A, B, C and Dare partners sharing profit and losses in the rate of 4 : 3 : 3 : 2. Their respective capitals on 31<sup>st</sup> March, 2013 were Rs. 3,000 Rs. 4,500 Rs. 6,000 and Rs. 4,500. After closing and finalizing the accounts it was found that interest on capital @ 6% per annum was omitted. Instead of altering the signed accounts it was decided to pass a single adjusting entry on 1<sup>st</sup> April, 2013 crediting or debiting the respective partners' accounts. Show the Journal Entry.

15. (a) Elucidate the methods of dissolution of partnership.

Or

- (b) X was admitted into partnership for 5 years. for which he paid a premium of Rs. 1,20,000. After 39 months, the partnership firm was dissolved due to misconduct of Mr. Z, another partner of the firm. Y, being the third partner. Profit Sharing Ratio: Y : Z : X = 5 : 3 : 2

SECTION C — (3 × 10 = 30 marks)

Answer any THREE questions.

16. From the following particulars prepare Branch Trading and Profit and Loss Account in the books of Head Office:



The Delhi stores invoiced goods to its Patna Branch at cost which sells both for cash and credit. Cash received by the branch is remitted to H.O. Branch expense are paid direct from the H.O, except petty expense which are met by the branch.

Particulars	Amount Rs.		Amount Rs.
Opening Balance:		Rates and Taxes	3,000
Stock	5,000	Salary and Wages	6,000
Debtors	20,000	Petty expense by the branch	1,000
Petty Cash	1,000	Pilferage of goods	1,000
Goods from H.O.	50,000	Closing Balance:	
Cash Sales	30,000	Stock	8,000
Credit Sales	40,000	Debtors	25,000
Sales Return	4,000	Petty Cash	800
Bad Debts	1,000		
Discount Allowed	1,000		
Goods returned to H.O.	5,000		

17. Explain the difference between Hire Purchase system and instalment system.

18. M/s Z & Co. has two departments. You are requested to prepare the Trading and profit and Loss Account for each department for the year ended on 31<sup>st</sup> March, 1993 on the basis of the following information:

Particulars	Dept. 1	Dept. 2
Opening stock (1.4.92)	25,000	20,000
Purchases	2,30,000	1,90,000
Sales	6,33,000	4,92,000
Sales Returns	3,000	2,000
Closing Stock (31.3.93)	30,000	18,000
Wages	80,000	60,000
Salaries	40,000	25,000

Other common expenses:

Selling Expenses – Rs. 8,000

Depreciation – Rs. 18,000

Electricity Rs. 6,000

Rent Rs. 15,000



SECTION B — (5 × 5 = 25 marks)

Answer ALL questions.

11. (a) Explain the objectives of accounting.

Or

- (b) What are the advantages of accounting?

12. (a) Journalise the following transactions in the books of B :

April

1	Started Business with cash	50,000
2	Purchase from X	10,000
3	Salaries paid	3,000
4	Sales to R	30,000
5	Machinery Purchased	50,000
6	Interest Received	2000

Or

- (b) Rectify the following errors :

- Rs. 5,000 Paid for furniture purchased has been debited to purchases account.
- Wages paid Rs. 7,000 for installation of new machinery were recorded in wages account.
- Goods sold to Hari Rs. 10,000 not recorded.
- Rs. 2,500 received from Monu has been credited to Sonu A/c.
- Rent paid Rs. 1,000 wrongly debited to Landlord Account.

18. Journalise the following transactions of M/s. Radha & Sons.

	Rs.
1.1.2000 Business Started with Rs.2,50,000 and cash deposited with Bank	1,50,000
3.1.2000 Purchased machinery on credit from Rangan	50,000
6.1.2000 Bought furniture from Ramesh for cash	25,000
12.1.2000 Goods sold to Yesodha	22,500
13.1.2000 Goods returned by Yesodha	2,500
15.1.2000 Goods sold for cash	50,000
17.1.2000 Bought goods for cash	25,000
20.1.2000 Cash received from	10,000
21.1.2000 Cash paid to Ramola	20,000
25.1.2000 Cash withdrawn from bank	50,000
29.1.2000 Paid advertisement	12,500
30.1.2000 Bought office stationery for cash	5,000
31.1.2000 Cash withdrawn from bank for personal use of the proprietor	6,250
31.1.2000 Paid salaries	15,000
31.1.2000 Paid rent	2,500

19. Mr. Green and Mr. Red had the following mutual dealings and desire to settle their account on the average due date:

Purchases by Green from Red:	Rs.
6 <sup>th</sup> January, 2018	6,000
2 <sup>nd</sup> February, 2018	2,800
31 <sup>st</sup> March, 2018	2,000
Sales by Green to Red: 6 <sup>th</sup> January, 1998	6,600
9 <sup>th</sup> March, 2018	2,400
20 <sup>th</sup> March, 2018	500

You are asked to ascertain the average due date.



Balances	Rs.
Plant and Machinery	2,00,000
Drawing	50,000
Investment	4,30,000
Creditors	1,00,000
Capital	4,00,000

Or

- (b) Explain the difference between Income statement and Balance sheet.
15. (a) From the following particulars of Mr. Vinod, prepare bank reconciliation statement as on March 31, 2020.
- Bank balance as per cash book Rs. 50,000.
  - Cheques issued but not presented for payment Rs. 6,000.
  - The bank had directly collected dividend of Rs. 8,000 and credited to bank account but was not entered in the cash book.
  - Bank charges of Rs. 400 were not entered in the cash book.
  - A cheque for Rs. 6,000 was deposited but not collected by the bank.

Or

- (b) Hari owes Ram Rs. 2,000 on 1<sup>st</sup> April, 2018. From 1<sup>st</sup> April, 2018 to 30<sup>th</sup> June, 2018 the following further transactions took place between Raj and Ram :

April 10 Hari buys goods from Ram for Rs. 5,000.

May 16 Hari receives cash loan of Rs. 10,000 from Ram.

June 9 Hari buys goods from Ram for Rs. 3,000.

Hari pays the whole amount, together with interest @ 15% per annum, to Ram on 30<sup>th</sup> June, 2018.

Calculate the interest payable on 30<sup>th</sup> June, 2018 by the Average due-date method.

SECTION C — (3 × 10 = 30 marks)

Answer any THREE questions.

16. What is Trial Balance? Describe the methods of preparation of Trial Balance.